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29 January 1980

Korean Affairs Report

(FOUO 1/80)



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KOREAN AFFAIRS REPORT

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CONTENTS

PAGE

INTER-KOREAN AFFAIRS

Briefs

Deng's Remark on Korea 1

SOUTH KOREA

POLITICS AND GOVERNMENT

Role of Army After Pak's Assassination Described
(S. Shigemura; MAINICHI SHIMBUN, 23 Nov 79) 2

Korea Observers Speculate on ROK Political, Economic Future
(SHUKAN ASAHI, 16 Nov 79) 4

ECONOMY

Japanese Investments Cripple Korean Labor Market
(Nobuo Nakagawa; ASAHI JANARU, 26 Oct 79) 10

Japanese Reporter Comments on Current ROK Economic State
(Toru Kojima; MAINICHI SHIMBUN, 2, 4, 5 Dec 79) 19

- a -

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INTER-KOREAN AFFAIRS

BRIEFS

DENG'S REMARK ON KOREA--Beijing, 9 Jan (JILI Press)--Vice Premier Deng Xiaoping revealed Tuesday China has repeatedly suggested that the United States try vigorously to get into direct contact with North Korea. The disclosure was made at a meeting with a six-man delegation of the Japanese House of Councillors, led by upper house Vice President Chozo Akiyama. The group arrived here Monday for a week-long visit to this country. At the meeting in the Great Hall of the People, Deng set forth China's views on the current world situation, especially Afghanistan and Korea. On the divided Korean peninsula, Deng ruled out anew the possibility of North Korea launching a military attack upon the Republic of Korea. He was quoted as saying some Japanese quarters are concerned about the North's possible thrust into the South, but the North restrained itself when President Pak Chung-hui was slain last October 26. He also said the Americans should attempt at a direct approach to the Democratic People's Republic of Korea, adding China has repeatedly advised the U.S. to do so. The issue is believed to have been discussed at Deng's meeting Tuesday with U.S. Defense Secretary Harold Brown, now on a nine-day visit to China since last Saturday. [Excerpts] [Tokyo JILI PRESS in English time not given 9 Jan 80 OW]

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S. KOREA/POLITICS AND GOVERNMENT

ROLE OF ARMY AFTER PAK'S ASSASSINATION DESCRIBED

Tokyo MAINICHI SHIMBUN in Japanese 23 Nov 79 p 4

[Article by S. Shigemura: "Season of Politics in South Korea"]

[Text] It has been about a month since the death of President Pak. Korea is moving out of the period of presidential mourning and into "the season of politics." Party activities directed toward electing the next president and reforming the constitution have stepped up. It is viewed that the military, which supported the Pak government will play a significant part in determining the direction of Korean politics.

Whenever people in Seoul talk about their desire for "change occurring in an atmosphere of stability," they say "avoiding a conflict between the political parties and the intention of the military" is crucial. However, it seems that no one knows for sure how the military operates nor how it will decide its direction.

As military guards gradually disappeared from newspaper offices and public buildings, assessment of two military leaders grew--that of the Minister of National Defense No Chae-hyon, who declared that the "the military will not interfere in politics," and Army Chief of Staff General Chong Sung-hwa, who obstructed the coup d'etat of Kim Chae-kyu, head of the Korean C.I.A. However, it was not as if these two men were considered, both within and outside of the military, to be "excellent military men" from the beginning. A rumor such as, because they were "incompetent" they were given important positions, was constantly heard. With respect to meetings and matters of personnel of the top military men, President Pak had complete authority. It is said that people who seemed to be extending their power and were popular within the military were always removed from important posts.

As the control of the Martial Law Command proceeded, the people of Seoul felt relieved that "the military is under civilian control." The report that the military heads "are letting specialists completely manage the economy" also became clear. On 6 November military guards disappeared from front of newspaper offices and from the 7th, General Chong Sung-hwa and Kim Chong-hwan stopped attending the "emergency measures council."

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The nature of Korea's military is said to have changed greatly since the end of the Korean war. The military gives short-term training to talented people who have been chosen from low-ranking officers without academic credentials or to the graduates of the first to tenth classes of the Military Academy who have experience in the Chinese or in the former Japanese army. It was after the Korean War, beginning with the 11th class, that South Korea began the 4-year training of superior high school students, as it is done at the U.S. Military Academy.

With Maj Gen Chon Tu-hwan who investigated President Pak's assassination at the top, 10 other military commanders from the 11th class Korean Military Academy occupying the position of major general, brigadier general, and division commander hold the real power of the fighting units. It was said that these high-level officers have common experience in having studies in the United States and received military experience in foreign countries. They have first hand international experience and have deep understanding of democracy.

This class of young army officials from advanced-level training school flocked to President Pak's government. It is said they looked severely at the politicians and businessmen who greedily sought a piece of the action. Whenever the name of former Prime Minister Kim Chong-pil came up as a politician who will shoulder the post-Pak government, one also often heard: "If he is not popular in the military, well...."

Former Prime Minister Kim Chong-pil was chosen with unexpected speed as the new president of the Democratic Republican Party. Apart from the selection of [government officials], the feeling that the non-involvement of the military as "the establishment of civilian control" is growing stronger among the people of Korea.

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S. KOREA/POLITICS AND GOVERNMENT

KOREA OBSERVERS SPECULATE ON ROK POLITICAL, ECONOMIC FUTURE

Tokyo SHUKAN ASAHI in Japanese 16 Nov 79 pp 180-183

[Article: "Where Will De-Pakization Lead To?"]

[Excerpt] Ten days have passed since the assassination of President Pak. Korea has quickly moved to de-Pakization--that is, from a despotic system to a freer and more flexible political system. How will the military, which is regarded as the guardian of the new regime and the focal point of the movement, respond to this move? Also, what kind of effect will social changes in South Korea brought about by remarkable economic development have on de-Pakization. Following is an attempt to forecast the future of Korea based on the analyses presented by the retired general Katsuchi Tsukamoto, former Japanese military officer who was stationed in Korea and an expert on military affairs of Korea; Keitaro Hasegawa, economic commentator familiar with Korean economy; and Teruo Okai, former correspondent of ASAHI SHIMBUN in Seoul.

By 5 [November] the government and the military appeared to have firmed up the policy to establish a caretaker government with Choe Kyu-ha as the acting president. That the military will wholeheartedly support civilian government was clear as Secretary of State Vance commented after attending on the 3rd the state funeral of the late President Pak. The re-emergence of a military regime, the point the U.S. was most concerned about, is expected to be avoided.

"Traditionally the Korean military has played a strictly neutral role in politics. When the Syngman Rhee regime fell, the military did not make any move. Even when a coup led by Pak Chung-hui came, because President Yun Po-sun stepped down for the revolutionary forces, the military completely remained in position. It is unusual that the military which has been under 18 years of Pak's rule, has appeared in the limelight. President Pak Chung-hui had transferred one after another those generals who showed interest in politics or high ranking officers who were popular among troops

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to the first reserve. With the situation having come to this, I don't think there is anyone in the military now who aims to take over the government."
(Okai)

Nonetheless, the military cannot be expected to merely sit back tight, ignoring the national emergency. It is the military which is acutely aware of the crisis of having to face the DPRK (North Korea) across the Demilitarized Zone.

The military, as the guardian, will unmistakably influence the new post-Pak regime. The high ranking officers were reported to have agreed to discard the Yusin system, indicating that the behind the scene military intention is the key to the decision making process.

The personnel relationship and power structure within the military establishment of Korea, show that it is the army personnel who have the political influence. From the organizational point of view, the leaders who currently possess real power are said to be three full generals: Defense Minister No Chae-hyon (3rd class of the Military Academy), Chairman of the Joint Chiefs of Staff Kim Chong-hwan (4th) and Army Chief of Staff Chung Sung-hwa (5th).

Minister No, despite his defense ministerial post, is interested only in the military matters and is considered a non-political type of individual. Chairman Kim is a career intelligence officer, professionally a rival of Kim Chae-kyu (2nd class), former director of KCIA and the man responsible for the incident. Chairman Kim is considered to be quite interested in politics. The Army Chief of Staff Chung Sung-hwa was the closest among the three generals to Kim Chae-kyu, who is his senior in the military and has reportedly felt that Chung is very promising.

Following these three men, there are Yu Pyong-hyon, Deputy Commanding General, US-ROK Allied Command (7th class), Kim Yong-hyu, Deputy Defense Minister (7th class) and Chon Tu-hwan, a younger man and commanding general of the Army Security Command (11th) class.

General Chon Tu-hwan was hand-picked by President Pak when he served as a battalion commander of the Presidential Security Force. Normally, the post of the commanding general of the Army Security Command is filled by a lieutenant general. It is, therefore, unusual for Major General Chon to assume the post; and he is the fastest rising star among his fellow classmates of 11th class.

An observer commented, "The appointment of Chon Tu-hwan, who is pro-Pak, to director of the Joint Investigation Headquarters under the Martial Law Command will be a real disadvantage to Kim Chae-kyu. Lighter sentence and restoration of honor seem very unlikely..."

Within the military establishment, there is a considerable gap in the way of thinking between the senior military man, who participated in the coup d'etat

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of 18 years ago and supported the Pak regime thereafter as friends and aids, and the officers below the middle management level.

In the Korean army there was a time when the rank of a general was reportedly bought and sold with money. A major general was said to be told once, "Pay 8 million won so you can be promoted to lieutenant general. If you need money to pay off, I will arrange for you to find a lender. That sort of money can easily be recovered within a year through the contribution from subordinates."

Having been told this by his superior, he threw a letter of resignation at his superior and he was then placed on reserve. This kind of old warrior spirit seems to have run counter to the professionalism of young career officers.

Even among the elite officer corps of the first class of the Military Academy, the main stream of the Korean Army, the lingering emotional residue of the Korean War is waning and a gap is growing between the young and the old. The generation gap in the Korean Army is said to be greater than that of the old Japanese Imperial Army officers and the graduates of the War College in the Self Defense Forces of Japan.

The foundation of Liberalization are Young Officers and Businessmen

The old generation of army officers include the graduates up to the 10th class in the Military Academy. The 11th class and thereafter received the formal 4 years of training after the end of the Korean war. About 70 percent of them have visited the U.S. for training and learned about democratic process and civilian control of the military. They are "awakened soldiers."

"The military tends to be regarded as the core of conservatism, but today in Korea, those who know democracy by heart are the young officers. They went abroad on many occasions, familiar with foreign customs and increasingly critical of Pak's rule." (Retired General Tsukamoto) When military opinion is to be reflected on the establishment of the next political system, these young officers' voice cannot be ignored.

On the other hand, there are some technocrats in the economic circles who are showing a considerably strong move toward non-Pak system of control. One of the indications is the demand for turning government controlled banks to private control, as it became noticeable in the summer of this year. The heads of five large central city banks were all appointed by the government and the share holdings of the bank were denied. Therefore, for all practical purposes the banks were totally under government control.

Turning banks to private control was first advocated by Chong Chu-yong, head of the Federation of Korean Industries. In July at the economic symposium held under the auspices of the press club, he openly declared, "The banks should be freed from government control."

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Mr Chong was regarded as the leader in the economic field and rather close to President Pak; therefore, his declaration came as even more of a shock to government officials concerned.

When Hasegawa asked Chong about his intention, he replied adamantly, [South] Korea is now proceeding to reorganize its economy suitable to the international outlook. As long as banks remain under government control, reorganizing banks to meet international demand or competing in the international market is not possible. No matter what people say, I will never abandon my stand."

Behind these words, there is an incident of Yulsan Industry's bankruptcy this summer. The four bank presidents were fired and one of them was arrested on a charge of irregular lending practices to business firms. The banking activities plunged into chaos as a result of the shakeup and the bankers were painfully made aware of the difficulty in working under rigid government control.

In the uproar, President Sin Pyong-hyon of the Bank of Korea, the central government bank, and former presidential special assistant, expressed his grave concern, "The economic circles seem to be trying to make a breakthrough by putting banks under private control but it will mean serious change in the overall economic structure. Therefore, the change cannot be accepted that simply."

There are many at trading firms who do complain about the intervention by the Pak government. At each trading firm there is an official from the Ministry of Commerce and Industry who checks up on the performance of each department of the firm every day. When days pass without a sales contract, he reprimands the man who is in charge for being "lax." A complaint such as, "Why don't these government officials hold their tongue," is increasing among the workers at trading firms.

Thanks to the economic progress brought about by the Pak government, in Korea as a developing country, the number of technocrats grew annually, though not as much as in Japan, but they have become the core of the middle class of the country. According to the statistics released from the taxation office, in 1976 excluding military personnel, there are 61,000 people who earned monthly income of 200,000 to 400,000 won. Last year, the number increased to 100,000, of which 23,000 earned more than 500,000 won. The fact is despite runaway inflation, the middle income group has grown.

North Korea Looks for an Opportunity for Peace Offensive

"Mr Sin Pyong-hyon, president of the Bank of Korea is a typical new technocrat in Korea. He was transferred from the Finance Ministry to the World Bank and worked there for 12 years, and he became a veteran in international banking. He played the major role in turning the economy around by abruptly raising the official rate by 5 percent in June of last year in order to check the overheating economy and inflation. Naturally there was strong opposition to this kind of drastic move, but President Pak's support for this step settled the matter in his favor." (Mr Hasegawa)

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According to Mr Hasegawa, the strongest impression he had from his September visit to Korea immediately preceeding the presidential assassination was that the young businessmen were beginning to speak decisively about economic reform. Young commissioned officers who are military technocrats and young businessmen form the basis of stability and are unmistakably the banner holder of democracy and the liberalization movement of Korea.

Nevertheless, an element of uncertainty and the source of instability come from North Korea. Recently, North Korea agreed to receive the American table tennis team in Pyongyang, creating a mood for rapprochement with the United States. Also there was no indication of anit-South maneuvers such as guerrilla infiltration.

Then suddenly, there came the political disturbance in Pusan. The Central Committee of the Revolutionary Party for Reunification promptly announced an "Appeal to South Korea" and Radio Pyongyang called daily for the downfall of the Pak regime. The Pyongyang citizens gathered at rallies calling for the overthrow of the Pak regime.

Therefore, the assassination of Pak would have perhaps increased the broadcast but this was limited to a comment in NODONG SINMUN on the 29th, the silence is almost strange.

There has been no report of North Korean troop movement. At present, it seems they are quietly watching the development within South Korea.

Nonetheless, behind the scenes, the move toward a North-South dialog is quite active, as may be seen in the mediatory work by President Ceausescu of Romania. The U.S., China and USSR, the three powers, also share the same view.

"North Korea's greatest objective was to bring down the Pak regime of national prosperity and defense. Each time there was political instability in South Korea, North Korea has had bitter experience in its unsuccessful attempts to bring about internal division in the South. Probably there has never been an incident as unexpected as the one occurred recently--the act of self-destruction within South Korea. It appears that North Korea has decided to watch for a while and wait for a chance to launch a peace offensive." (Mr Okai)

"Still, the pressure from the Soviet Union and China is great. Immediately following the incident, the United States reportedly asked the Soviet Union and China to keep North Korea under control. China, in particular, must have applied all available resources to keep North Korea in line. If both countries threaten North Korea to cut off oil supply, this alone will keep North Korea frozen." (Mr Hasegawa)

"At present the situation in South Korea is creating a more advantageous position for North Korea; therefore, North Korea could be waiting for an even better position. If North Korea assumes a hard line now, the South

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Korean Army will harden its stand against the North. Perhaps, North Korea has judged that it will be much easier to destroy the system if the South Korean army, not having much to do, meddled into politics and jolted [the system]." (Mr Tsukamoto)

At any rate, North Korea is unmistakably aiming at a peace offensive right now. Speaking of peace offensive, North Korea recently made a move to sell coal and cement to South Korea through a third party in triangular trading. Late last year South Korea bought 10,000 tons of coal from the North through Hong Kong, and at present, 500,000 tons is said to be under negotiation.

What kind of person is Choe Kyu-ha, who serves as acting president of a caretaker government until the Yusin constitution is amended? He is known as a mild tempered, able official and an excellent administrator, well balanced and informed on world affairs. Under President Pak, he served as foreign minister from 1967 to 1971 and premier from March 1976 to present. To have served for 4 consecutive years as foreign minister under the Pak administration which was characterized by frequent changes in [cabinet] posts is extraordinary. He was able to stay because he was well thought of as an able diplomat. Particularly noteworthy is his positive approach to the improved Japan-China relationship.

"He surely does not face any opposition from the military establishment and is well accepted by the journalists and financial circles. The military does not want any abrupt change at this moment and the new Constitution will have to be written in a hurry. For the transitional government Choe seems to be a logical choice." This is the general opinion.

The other presidential candidates include former premiers Chong Il-Kwon, Kim Chong-pil and Paek Tu-chin or former Director of KCIA, Yi Hu-rak. But Kim Chong-pil and Yi Hu-rak are the types of individuals who will likely draw fire from young officers wishing to get rid of the Pak legacy. "Even though they are seniors in the military, they are no better than the mirror image of the Pak regime," was the response of the colonels from the 11th class and members of later classes of the military academy.

The unexpected low rating is given to Kim Chong-pil because it is believed that he had at first opposed the constitutional amendment for a third term presidency, but after he became premier he helped create the Yusin constitution. Yi Hu-rak is living under the shadow of Kim Tae-chung incident. Chong Il-kwon's name was also mentioned once as a possible candidate but he is generally regarded as a politician of long past days, and his birth place being North Korea also seems to be a minus factor.

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S. KOREA/ECONOMY

JAPANESE INVESTMENTS CRIPPLE KOREAN LABOR MARKET

Tokyo ASAHI JANARU in Japanese 26 Oct 79 pp 90-94

[Article by Nobuo Nakagawa, critique]

[Text] Worsened Labor Market of Korea and the Capital Investment From Japan

The sit-in demonstration by more than 200 women workers of YH Trading, wig maker and garment sewing firm, at the headquarters of the opposition Sinmin Party of Korea, that ended in the death of a demonstrator and injuries to several early on 11 August when riot police stormed the building, exposed the most serious problem the Korean workers are facing today, as it was the first large scale demonstration of its kind by any group since the Yusin proclamation in the fall of 1972 in Korea.

The Korean workers, especially the young women at the lowest level of the social structure, were forced to suffer numerous pains even during the period of highly acclaimed high economic growth of Korea, because under the present economic development policy based on foreign capital inducement with top priority on export, the low wage of workers and denial of workers' rights are considered to be essential in implementing the policy. In 1977 when the 10-billion dollar export target was reached, the contradictory problems inherent to such economic development policy suddenly surfaced, creating serious stagflation for ferocious inflation and stagnation to go on hand in hand. Its impact hit the workers head-on.

The wave of bankruptcy, close-down or cutting off the working hour by numerous businesses directly affected the workers by layoffs of loss of pay. (For example, from June to August this year, 74 businesses went bankrupt, 1,622 closed the shops and 8,198 opted to shorten the work hours.) The incident of YH trading was a clear example of these problems. Here, the point to remember is that Japan is directly and deeply involved with the situation in Korea. Among the Japanese businesses currently active in Korea, some began to show moves toward slowing or closing down the operation, invoking a fear that they might be heading toward similar incident.

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The confidential report of Japan Trade Promotion Organization (JETRO) forwarded to Tokyo from the Seoul office in June made it clear that the financial structure of Korean businesses suffered general regression as a result of a tight money policy since 1978 and from the drop of export business beginning this year. After pointing out the wave of bankruptcy sweeping across the country, it went on to report the following: "Thus, the trouble in the industry emerged affecting wide-ranging industries including large business concerns. Therefore, the chain reaction toward bankruptcy is now feared. We must watch further development as the tremor from the shock is expected to linger on....

The worst hit is the textile industry. The major textile cartel, like Hanguk Silk group mentioned above, is reported to have run up against the wall in its management. This was followed by the troubles of medium size operations experiencing shut down and outright bankruptcy. According to the 'Report by Sewn Goods Export Industries,' 37 firms out of more than 200 members of the Korea Garment Exporters Association went bankrupt, forcing them to pull out of the export market. At any rate, the down turn trend of the textile industry is progressing at a rate faster than expected. Furthermore, the dark outlook in the future may drive more businesses to closing their doors."

The Japanese Capitals Are Directly Involved With Maintaining Low Wage in Korea

The same report also took up the problem of the electronic industry: exports hit the ceiling in this area when the second energy crisis was brought on by the turmoil in Iran and the consumer goods savings movement undercut the demand in the domestic market. The main export items of Korea today are textiles and electronics. Electronics are expected to replace textile goods for export in the second half of the 1980's. Electronics and machinery are two major fields which the Japanese are heavily concentrating on.

Therefore, the worsening management problems of these industries which may lead to bankruptcy or close-down point to the possibility of direct confrontation between the workers and the Japanese firms in Korea or local firms with Japanese capitals, over such disputes as lay offs and non-payment of wages. The recent move of the Japanese businesses at the Masan Export Commodities Processing Zone clearly is a matter of concern. According to the report by Jetro, the Japanese-origin firms are experiencing a shortage of capital funds, a snag in exports and labor dispute beginning January to the end of May 1979. The number of firms affected total 10 which include Korea Daiyu Kasei (its operation suspended over bad checks), Korea Ideal Tile (All Japanese personnel are on the verge of walking out), Korea Sanken (reported to authorities a 3-month voluntary close-down), Korea Electronics Cabinet (operating below 50 percent capacity) and Korea West Electric (working 4 days a week). The report further pointed out: "Many personnel at the firms of Japanese origin estimate the probable life span of light industry and assembly type operation in Korea to be no more than 2 years on account of the overhead cost doubling in little more than 2 years.... More than half of Japanese

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origin businesses in the zone let it be known that they would want to immediately sell out the business to whoever is interested in taking over at a reasonable price after a fair assessment of its assets."

Under the control of Japanese origin business at the Masan Export Commodities Processing Zone, such labor-related troubles as extremely low wages and harsh treatment, lay offs at will and abuse of women workers' rights were reported to have presented constant problems which the National Assembly of Korea once took up on the floor for debate. The close down and pulling out of Japanese businesses from the Free Zone could possibly erupt into the second or third YH Trading type incident when fueled by unjustifiable lay offs or non-payment of wages. Next, it must be pointed out that the Japanese capital is directly involved with maintaining a situation of low wages and no workers' rights in Korea. Korea's leading magazine, SIN TONGA, carried an article "The Japanese business in Korea" in its August 1976 edition. The author was Song Hyong-mok, then assistant economic editor at CHOSON ILBO.

The article delving into the reality of Japanese capital, deeply penetrating into all spheres of the Korean economy from children's toys to automobiles, and attempting to expose problem areas, touched on the mode of Japanese operation: how pressure was applied to maintain low wages by whatever means available at hand. It stated: "In Seoul, there is the so-called 'J.V. Association' organized by the Japanese investors in Korea. The Japanese executives sent by home offices to such large Korean firms as Sun Kyong Synthetic Fiber, Korea Yakult Dairy and Cheil Synthetics, form the officers of the Association. The Association seems on the surface no more than a simple friendship society but actually it is an organization of some significance."

The members hold regular meetings. They exchange information. At times, they discuss common problems and matters of mutual concern. Occasionally, the Association members present to the Korean Government through the Japanese embassy in Korea the common consensus of opinions related to their common interests. The information they exchange at the meeting includes matters directly affecting the interests of the Korean people.

For instance, the wage for Korean workers is a case in point. What level of wage is fair to them is not in the discussion. In the country where the starvation level wage of 6,000-7,000 won a month still exists, the wage level of Japan, the economic giant, would never become a matter of comparison or even be taken into consideration.

The basic concerns of these people lie in the area of how best to keep the wage at the lowest possible level and how to keep its plant running at the lowest cost. They exchange information on the wage difference between one business establishment and another, an industrial zone and the other. At times, they draw up a chart to show the difference of wage from one geographical area to the other: Hong Kong, Taiwan, or Malaysia where the Japanese businesses are active. If their firms were set for higher wages than the other area or industrial zone, they immediately lodge a protest. At times, they apply pressure, though politely, to Korean investors or the government.

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The low wage is hell to workers but the absolute benefit is to the investors. The most attractive feature for investing in Korea was the low wages; therefore, this group of people shows displeasure when confronted with rising wages.

The article further pointed out: "The substantial reason for our government reluctance to push for firm wage control policy may be due to the circumstance described above." The position taken by the Japanese industrialists and the influence they exert to maximize, by whatever means available, low wage benefit that attracted them to Korea in the first place are clearly exemplified by these accounts.

The formal name of the J.V. Association is Joint Venture Association. Its members as of 6 January 1975 are listed below.

Membership of J.V. Association

Names of Korean Companies

Umi Nylon
Hanil Masonry Industry
Korea Aru-o-mu
Korea Erina
Korea Elephant
Korea Onkyo
Korea Synthetic Rubber Industry
Korea Conveyor Industry

Korea Information Service
Korea Takada Wireless
Korea TDK

Korea Tonga
Korea Watch Industry
Korea Electric Sound
Korea TV
Korea Electronic Sign
Korea Sinkwang Electronics
Korea Gas Pump
Korea Precision Chemical

Korea National Electric
Korea Puktu Sound
Hanyuk Electronics
Korea Trans(former)
Korea FELCO Transmitter
Korea Polyester
Korea Glass

Japanese Investors

Atsugi Nylon

Toyo Electric Appliance Plant
Okamoto (Ltd)
Shimada Sadamu (Ltd)
Onkyo (Ltd)
Mitsui Industries
Izumiya Iron Works; Miyasumi
Iron Works; Fuji Steel Chain

Japan Information Service
Takada Wireless Works (Ltd)
Tokyo Electric Chemical
Industry
Toa Electronics
Hattori Hong Kong
Electric Sound
Nikko Jitsugyo
Ito Electronics
Sinko Electric Industry
Tokyo Tatsuno
Nikka Chemical Industry;
Mitsui Industry

Matsushita Electric
Hokuto Sound
Hokuriku Electric Industry
Tabuchi Electric
Fuji Tekku (Ltd)
To Rei
Mitsubishi Commerical; Toyo
Glass

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Names of Korean Companies

Korea Bea Industry
 Korea Medical Supply
 Korea Metallurgy Industry
 Korea Yakult Dairy
 Hansong Prefabricated
 Hanil Fiber
 Hanhwa Knit
 Cosmos Accessories
 Kangnam Hwasung Industry
 Korea Engineering
 Sharp Data
 Samgunsa
 Samgyong International Tourist
 Samgyong Tonghwa Re-Za
 Samsung Electric

Samhwa Electric
 Samhyong Electronic Industry
 Samyang Special Alloy
 Sinhan Electronic
 Sudo Fiber Industry
 Chinju Fireproof
 Sehan Copal
 Songnam Electronic Industry
 Chinyong Electronic
 Sejin Electronic
 Sunkyong Synthetic Fiber
 Sunkyong Garment

Seoul Cycle
 Sangyong Sewing
 Cheil Synthetics
 Taehan Marukon
 Taehan Emulsifier
 Taesin Trading
 Taenam Trading
 Tongso Petrochemical
 Seoul Tokyo Hotel
 Segli Optical
 Tongmyong Industry
 Tongyang Polyester
 Ihawa Electronic
 Facom Korea
 Pomyang Airconditioning
 Miwon Fishery
 Union Fiber
 Union Electric

Japanese Investors

Bea
 Japan Medical Supply
 Sumitomo Electric Industries
 Yakulto
 Taisei Construction
 Fukuchi; Kawata Industry; Mitsui
 Ito Chu
 Nomura (Ltd) Yagi Commercial
 Marubeni
 Toyo Engineering
 Sharp
 Mitsui Metal
 Tokiwa; Taisei Construction
 Soda Commercial
 Sanyo Electric; Sumitomo
 Commercial

Japan Condenser
 Japan Chemicon
 Marubeni
 Murata Manufacturing
 Kanebo; Nichimen
 Onoda Cement; Omura Fireproof
 Copal
 Koyo Kako
 Sinei (Ltd)
 Futaba Electronic
 Teijin
 Teijin Commercial; Teijin
 and others

Sumida Electric
 Ito Chu
 Torei; Mitsui Industry
 Marukon Electronic
 Marubeni; Nitrogen Engineering
 Daigo Trading
 Minami
 Asahi Kasei
 Tokyu Hotel International
 Miyauchi Precision
 Meiji Confectionary
 Asahi Kasei
 Hochiki
 Fuji Tsu
 Daikin Industry
 Jasko
 Futaba Commercial
 Mitsubishi Electric;
 Mitsubishi commercial

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Names of Korean Companies

Japanese Investors

Unibus Industry

Mitsubishi Electric;
Mitsubishi commercial
Wacor (Ltd)

Hwagang Fiber

Sony
Kurida Industry

Hwasin Sony

Nippon Electric

Hansu

Daiwa Textile

Kumsung Electric

Sumitomo Commercial; Seo high
pressure

Samhwa Textile

Mitsubishi Commercial; Sinetsu
Chemical

Ulsan Steel

Taesung Methanol Industry

The Korean Labor System Flows Bank Into Japan

The Korean workers are denied the rights as a group to negotiate or take group action, as a result of the Provisional Decree for Labor Union and Labor Dispute Control in the Foreign Investment Enterprise among others, designed to induce foreign capital investment like the one from Japan, decreed on 1 January 1970; the lack of protection forces the workers to take low wages. Their suffering could be said to have worsened by the Japanese capital investments in Korea.

This mode of operation by Japanese business in Korea affects not only Korean workers. Similar impact is felt on the workers in Japan. The Japanese capitalists attracted to Korea because of its low wages and no rights provision are attempting to impose the same labor conditions on the workers in Japan, to maximize the merit of such demand. Buttressed by the experience with the Korean labor system of low wages and no workers' rights, they promote to undercut Japanese labor conditions. The move toward so-called rationalizing the labor is a case in point.

Let's take an example of Taiho Sangyo. Taiho Sangyo started at the Osaka-Maioka area in March 1960 with 2-million yen capital fund as a maker of nuts and bolts. In the spring of 1972, 12 years later, it grew to the size of 8.5 million-yen capital firm with more than 160 employees. However, in April 1972 the labor union was organized by 140 young workers who joined the Osaka Branch of the Metal Workers Union under Sohyo, the General Federation of Labor Unions. It was the turning point for Taiho management which, thereafter, assumed a stand of labor management to be the top priority matter of importance. When Taiho Sangyo entered Korea at the Masan Export Commodities Processing Zone in April 1974, establishing "Korea Taiho" with 1 million dollars, it was undertaken as a part of carrying out the basic posture stated above.

Since Korea Taiho went into operation, the standard products were regularly shipped to Japan, dubbed on the label of Japan Taiho and re-exported to overseas. As a result, Taiho in Japan had to cut back on production and proceeded to lay off workers. Furthermore, when the products by Korea Taiho were all shipped to the U.S., Taiho in Japan was found entirely

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useless which ultimately led to the announcement of closing the head office of Taiho Japan and dismissal of everyone there in November 1977. For management, as long as Korea Taiho yields profit, they could not care less about scrapping Japan Taiho. Moreover, they were successful in their union busting undertaking.

The workers at the home office in Japan suffered worsening working conditions and progressive layoffs in proportion to the increased role of Korea Taiho, ultimately leading to a total close down and layoffs en mass. Today, 250 labor union members are demanding the reopening of Japan Taiho.

The Korea Taiho was subsequently sold out to Korea Kori, another Japanese affiliated firm in Korea, in connection with a suspected graft-taking scandal, throwing the initial ambition of Taiho management down the drain. Nevertheless, the point is made to show the typical example of a Japanese firm using the Korean labor market to shake off labor problems at home.

Gessei Kasei Demands Rationale to Labor

A similar situation could be found in cases of steel drawing industry, Sugimoto Drawing, Nippon Nails and Nippon Seisen, located also at the Osaka-Maioka area. The Sugimoto Drawing specializing in the various small size steel wires established Korea-Sugimoto Drawing with 2.65 million dollars in October 1974, achieved 524,000 dollars export within half the quarter of a year, abruptly closed down the head office in Japan in the beginning of 1975 and laid off all 250 employees. At present, 95 workers are demanding the reopening of the shops.

In the case of Nippon Nails, the Korea-Nippon Nails was established with 1.87 million dollars, went into operation in June 1974 and, soon enough, announced the partial close-down of the home office. The original employees numbering about 600 were now trimmed down to little more than 100. The Nippon Seisen specializing in coils invested 1.68 million dollars to establish Korea Nippon Seisen. Since April 1973 when it went into production, the home office began shrinking, reducing 200 employees by two-thirds. The above firms all went to the Masan Export Commodities Processing Zone.

Among them, for example Taiho Industry was said to be once looked upon with the expectation that the merit from the activity in Korea might be funneled back to the Japanese workers in the form of added benefits. But in reality, it was nothing but wishful thinking or fantasy. The way capital works has not always promised a rosy dream. (The above account is based on Kankoku Shinshutsu Kigyokarano Hokoku [The Report of Businesses in Korea] by Taiho Industry Labor Union and Chosenno Jishuteki Heiwa Toitsushiji Nihon Iinkai Kaiho [Bulletin of the Japanese Commission To Support Independent and Peaceful Unification of Korea] No 20).

The Taiho industry, Sugimoto Drawing, Nippon Nails and Nippon Seisen are all similar size operations with employees numbering between 100 and 600 and their activity in Korea took place in the second half of the 1970's.

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One may deduct from the above that the cases in reference were limited only to medium size firms and to the past several years. Nothing is further from the truth. Let's take an example of Gessei Kasei. A large firm making rubber footwear, the Gessei Kasei has its main office in Kurume city. The firm, having 800 million yen in capital assets, had 4,600 employees at the four plant sites including the one at the main office area. The Gessei Kasei established the joint venture firm Sinhung Chemical at Masan Export Commodities Processing Zone with 1.3 million dollars investment and 1,100 employees, beginning its operation from April 1974. Its yearly sale reached the 5 million dollar mark a year.

Many products at Sinhung chemical were exported to Gessei Kasei in Japan and re-exported overseas under Gessei Kasei labels. Thanks to the low wages of Korean workers, the shipment turned out to be about 30 percent cheaper than the same material made in Japan even after import duty payment and the difference was put into the pocket of Gessei management as net profit. The Gessei Kasei maintains another joint venture firm in Taiwan. The imported finished products from the joint venture firms constitute 20 percent of all Gessei labeled footwear. The firm naturally looks for all available means to widen the rate of imported goods.

It was under this background that the Gessei Kasei presented its labor union a very severe "rationalization measure" in the name of breaking through the slump in business as well as rebuilding company management: the Mii plant at Fukuoka prefecture and the Ujiya plant at Tochigi prefecture be closed, 1,000 employees be laid off and all remaining employees' wages be cut by 10 percent. It occurred when the rapid growth of the Korean economy was rumored to be giving a hard push to Japan and the footwear industry was believed to be included in the hard-pressed industries of Japan.

The labor union attempted resistance as best it could but in the face of strong and crafty offense of the management, the union did not have much choice but to accept in the end in June 1978 approximately what the management had been demanding on the grounds that the Korean operation was a fait accompli.

The Offenders Are at the Same Time Victims

The above report is primarily transcribed from the "Point of Origin--My Report" by Akira Inugari carried in the July and August 1978 editions of GEKKAN JANARISUTO [Monthly Journalist]. It clearly demonstrated that the offensives of business management against the unions demanding what it calls a rational management tailored after low wage, no workers rights Korean labor system, is not confined to medium to small size firms but also is spreading to large businesses and that the trend is not something of the past but of the present day.

As a result, the following points can possibly be brought out in conclusion. First, the responsibility of Japan as a party directly involved for maintaining and strengthening low wages, no rights Korean labor system, created in the name of Japan-Korea economic cooperation, is facing a challenge from the system itself.

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Second, the worsening condition of the workers in Japan is being accelerated by the management offense demanding rationalizing capital management which is backed up by the maximum utilization of the Korean labor system. In other words, the Japanese imports from Korea are not limited to hundreds of finished goods but the low wages, no rights labor system itself is on the verge of being imported into Japan from Korea.

Third, therefore, from the standpoint of the Japanese workers, they may eventually find themselves in the position of being offenders in a broad sense but at the same time being the victim of the circumstances.

The primary basis of unity between the Japanese and Korean workers must be said to exist in this area.

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S.KOREA/ECONOMY

JAPANESE REPORTER COMMENTS ON CURRENT ROK ECONOMIC STATE

Tokyo MAINICHI SHIMBUN in Japanese 2, 4, 5 Dec 79

[Article by Toru Kojima: "Shaky Korean Economy"]

[2 Dec 79, p 7]

[Text] The so-called "miracle" rapid growth of the Korean economy had ended. Korea is now suffering from classic stagnation with declining prosperity and rapidly rising prices. The turning point came with the assassination of President Pak. It has been more than a month since this shocking incident. Having lost its strong captain, the "good-ship Korea" is adrift, but in which direction? The following is a quickly made and unglamorized picture of the Korean economy after the collapse of the Pak government.

Attracting Export Industries

In Seoul--Korea's capital, where more than 20 percent of the total population is concentrated--commuters are jam-packed in busses that tear around the city at fierce speeds in 10°C below zero weather. After 10:30 am department stores in Myongdong, the city's busy shopping district, are crowded with women shoppers standing shoulder to shoulder. Except for the sight of tanks defending government buildings and soldiers carrying automatic rifles, conditions in Seoul are, at a glance, surprisingly peaceful.

By using a quote from Mancius, "Without fixed livelihood, there can be no constancy of purpose" Kim Ip-sam, chairman of the Federation of Korean Industries (similar to Japan's Federation of Economic Organizations), explained the reason why the Korean people have dealt calmly with the assassination incident. With high rates of economic growth under the Pak government for the past 18 years, the Korean people acquired a real livelihood, that is, they made economic advances, and without realizing it, created for themselves a real purpose and a sense of stability.

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Korea's high pitch planned economic expansion certainly attracted world attention. In the decade between 1969 and 1978, the rate of economic growth (in real terms) was 10 percent. Under President Park's slogan of "Gearing All Industries for Export," economic plans to attract export industries were, as in Japan long ago, expanded.

At present, however, the sparkle in the economy that existed a year ago is not there. The 15.5 percent growth rate of production in manufacturing industries for the January to September period this year is significantly down from the 23.4 percent of the same period last year. The growth rate of individual consumption for the third quarter of this year fell (in real terms) to 6.8 percent. The growth rate of private investment in plant and equipment for the January to September period was 15 percent, while for the same period last year there was a 45 percent rate of expansion. Economic growth has slowed down, with the real rate of growth for September to December falling to 8.9 percent. (Last year the growth rate for the same period was 15.7 percent.)

Compared to the prosperity, the disease of inflation continues to be strong. In July, prices of petroleum related products, beginning with gasoline, were raised by 59 percent. The cost of electricity went up 35 percent. Last year, the bus fare went up from 60 won (30 Japanese yen) to 70 won, while the basic taxi fare went up from 300 won to 400 won.

Age of Crazy Prices

According to the Bank of Korea, Korea's central bank, the January to September rate of consumer price increase was 23 percent, compared to last year's 17.5 percent; and the rate of wholesale price increase was the same 23 percent for January to September of this year. Many people say that the official price index is not reliable. One Japanese businessman resident of Seoul comments about rising prices, "I feel it is really about 30 percent," while a Korean salaryman insists, "No, it's more than 50 percent." Talk among real estate companies in the suburbs of Seoul is that there is a strong outlook for sales of land with the expectation of rising prices. "Land prices are double those of last year. Just this morning three sales were completed," said a young president of real estate company who seemed unable to stop beaming. Korea now is in a condition that resembles that of "crazy prices" in Japan immediately after the first oil crisis.

Inflation can destroy the foundations of Korean society. Already exports, the mainstay of the Korean economy, are falling due to inflation. Exports, in terms of volume grew, on an average of 20 percent during the last 10 years and showed remarkable increases until 1978. But this year, although exports in terms of money are expected to reach 15.5 billion dollars, greatly exceeding last year's 12.5 billion dollar mark, the volume of exports has remained flat. Because of increases in the cost of raw materials and labor, Korean commodities are rapidly losing their competitive edge internationally. Both the Korean Government and the Bank of Korea are aware of the danger of inflation. The Bank of Korea is now

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trying to tighten its monetary policy through "window-guidance" containing the monetary supply growth rate of M_2 (cash, liquid deposits and time deposits) within 25 percent (35 percent for 1978), and to within 20 percent for this current year [1980]. The government is also making price stabilization its first priority and proposing a "stabilization policy."

Calm Before the Storm?

Yet, inflation cannot be easily suppressed. The Economic Planning Board estimates this year's [1979] wholesale price increase to be 24 percent, consumer price increase within 20 percent, and it wants to hold increases in both of these areas for next year within 12-13 percent. However, "This will all depend on the price of crude oil," said Kim Ki-hwan, Economic Planning Board helplessly.

"Korea's rapid growth had been called a miracle. However, the national livelihood has suffered. It has become difficult to ride a bus or taxi. Gasoline exhaust has made the air bad. 'The question as to 'what is prosperity for the people?' is growing stronger everyday," laments a director of one of Korea's powerful banks. As for the uneasy calm of the Korean people after the presidential assassination--it may perhaps be the calm before the storm that precedes an explosion of popular anger over inflation which must be paid as the price for the rapid economic growth.

[4 Dec 79 p 9]

The Costs of Emphasizing Big Business; Failure To Nurture Medium and Small

The Korean economy is, in a word unbalanced. Along with continuously growing heavy and chemical industries such as automobiles, shipbuilding, and petrochemicals which are under the wing of a small number of financial cliques, there exists a great number of premodern, medium and small enterprises. Among workers there are extreme differences in wages and in bonuses among workers in large industry and in medium and small industries, among white collar university graduates and blue collar middle and high school graduates--the differences that are almost unthinkable in Japan.

The Korean economy is two faced, like Janus of Roman mythology with two heads looking in different directions, forward and backward.

"For the past 15 years, the government has paid attention to only big business, while completely ignoring medium and small businesses. Now the time has come to pay the price for this neglect." Kim Pong-chae, chairman of the Korean Federation of Small Businesses and reportedly a former assembly member before the establishment of revolutionary military power severely criticized the policy of the Korean Government which has up to now emphasized large industries.

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Government Funds to Big Business

According to Chairman Kim, rates of claim against the quality of Korean manufactured goods from abroad is very high. The reason, it is said, is that there are few medium and small industries that can produce high quality goods. Consequently, if large industries are to compete on the international market from the standpoint of quality, machine parts must be imported from places abroad such as Japan. And this has, in addition, worsened Korea's bad international balance of payments situation. Chairman Kim tells, "It is essential to modernize the medium and small industries in order to make further progress in the Korean economy. Medium and small entrepreneurs are themselves not sitting by idly."

The Korean Government has clearly ignored Korea's medium and small industries, which encompass 70 percent of all workers. For example, there is the area of finance. Because of capital scarcity, as in other developing countries, the relative importance of government capital in Korea is very high. But the stream of government investments is directed mainly to large industries. More than 90 percent of capital from the national investment foundations, corresponding to Japan's treasury investments and loans, goes to a mere 4 percent of large industries. Almost 100 percent of capital from the government-related Long Term Credit Bank and Korean Industrial Bank, goes to big business. Eighty percent of all new capital loans are made to heavy and chemical industries.

Conspicuous Capital Differences

Medium and small industries with inferior capital and technology have low rates of profits and slower growth in sales receipts, than large industries. Consequently, wages of employees in this sector must be relatively lower. According to investigations of the Central Committee of the Korean Federation of Small Business, if the wage level of large industry (industries with over 300 employees) is 100, the wage standard for medium and small industries is 60. With Korea experiencing inflation for the past several years, while wages have risen more than 30 percent yearly (spring 1979 wage increases were 35 percent), when bonuses and fringe benefits are included, the wage differences between large industry and smaller to medium industries are growing steadily wider.

In the case of Korea, there are vast differences in wages based upon educational background. For example, in the case of the Kumsong Communications Company (a maker of electronic communications parts), a subsidiary of Lucky Group which is one of the three big "Zaibatsu" [business cliques], the beginning salary of male high school graduates is 70,000 won (35,000 Japanese yen) per month, and for male college graduates it is 200,000 won a month. A manager in a Japanese affiliated business testifies that, "Korea's wage differences are enormous; such that section chiefs with college education receive as much as 400,000 won a month while the average company worker gets 100,000 won. At the top ranking firms, executives

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receive 1 million won a month plus bonuses equivalent to 4 or 5 month-salary; some get 10 months." Because of this kind of extremely favorable treatment is given to those with education, enthusiasm for educational advancement is even greater in Korea than in Japan.

Difficulty in Steering the Economy

The existence of a handful of high paid workers and vast strata of lowly paid workers--the Korean economy that lacks a middle class, inevitably has as its Achilles heel the narrow international market. Moreover, the business base of the large heavy and chemical industries which the government has frantically tried to build up, is becoming economically and socially weak. From this year, business stagnation in such well-known large enterprises as Hyundai and Associates, Taehan Electronics, and Korean Textiles has come to the surface. But in the background, the government-led economic policy, which promoted heavy and chemical industry by depending solely upon exports, has come to a standstill.

Now in the Korean Government and financial circles there are repeated cries for reconsideration of the policy of nurturing big business by over-emphasizing the development of heavy and chemical industries. With the passing time since the president's death, these voices are becoming stronger. "The Korean Government has by no means neglected medium and small industries until now. Nonetheless, from now on, and more than before, efforts will probably be made to strengthen support in the areas of finance, technology and management. Overlapping investments in heavy and chemical industry are blatant and thus investment readjustment is necessary," emphasized Kim Son-kil, assistant minister of Light Industry of the Ministry of Commerce and Industry which corresponds to Japan's Ministry of International Trade and Industry.

In addition, Kim Ki-hwan, an officer of the Economic Planning Board, explains, "When the president was alive, the slogan of economic construction was, 'enter the ranks of advanced nations with heavy and chemical industrialization.' Now it is changing to 'enter the ranks of advanced nations by stabilizing the livelihood of the people.'"

The Korean economy has already accelerated in the direction of oligopolic control by a few large industries. Government authorities seem to be trying to aim for balanced economic construction that includes medium and small industries and is not weighed in favor of large industries. But, can the "good ship Korea" be successfully turned around before popular discontent explodes? Steering the economic administration is a very difficult task.

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[5 Dec 79 p 7]

Aiming for an Open System; Yet Rapid Reform Is Dangerous

Ruined Big Business

Seven months ago an incident occurred which frightened Korean businessmen. One of the new big business cliques, Yulsan, collapsed. Yulsan was a young business, founded in 1975 by a youthful, 30 year-old entrepreneur, Sin Son-ho. The company achieved rapid growth in aggressive foreign trade, focusing on the oil dollar rich Middle East, and expanded to include Yulsan Construction, Yulsan Marine Transport, Yulsan Aluminum, and Yulsan Shoes, among other enterprises. In an instant, Yulsan entered the ranks of important companies.

A year ago, this company fell into a business slump because its policies of positive expansion had gone too far. At first the government was ready to provide assistance for reconstruction of the company; bankruptcy of this big enterprise would not only cause shocks among related businesses at home but, because this was a trading company, there would be repercussions abroad as well.

Upon investigating the accounting practices of the firm, however, the government changed its mind. In Korea, where exports are the national policy and foundation of the state, financing for purposes of export is offered at a favorable 9 percent to trading companies; and it was discovered that Yulsan Enterprises had misused these funds, borrowing ostensibly for export but using these funds for speculation in real estate, etc. Yulsan Enterprises went quickly bankrupt. The president, Sin Son-ho was arrested and jailed. Not only this. In Seoul, which has only five banks, the managers of four banks which had loaned money to Yulsan--Bank of Seoul and Trust Co, Korea First Bank, the Hanil Bank and the Korea Development Bank--were dismissed from their positions.

This incident impressed everyone with the strong might of the Korean Government which holds the power of life or death over the financial world; of course, behind this was the dictatorial power of President Pak who reigned for 18 years with tremendous authority.

After the Death of the President

It has been more than a month since the death of the president. High level bureaucrats in the Economic Planning Board, Finance Ministry, and Commerce and Industry Ministry are surprisingly calm. Although they have lost powerful backing, strangely they appear to be full of confidence.

"The president was a great man. However, the longer he was in power the more apparent his deficiencies became. In a sense, these became obstacles to the implementation of rational economic policies," criticized one high official who spoke frankly on condition that his name not be disclosed.

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For example, even though it was essential to construct dwellings in cities where the population was concentrated more than sufficient money was poured into housing improvements in farm villages, because this was favored by the president. He also made the unreasonable demand that the three goals of increasing economic growth rates, increasing exports, and stabilizing prices be pursued at the same time. For the sake of promoting economic growth above all else, economic management was focused around heavy and chemical industries, and there was no balance between supply and demand on essential products and foodstuffs sought by the people, and the result was rising prices. Now that the president is dead, there is a possibility for a rise of more ideal economic management.

Korea's economy is now in the midst of implementing a "price stabilization policy" which gives primacy to price controls. The aim is to create, using the mechanism of the market, a competitive economic structure. The main pillar of this is financial reform. The state of Korea's financial market resembles that of Japan during the first decade after 1945. It is totally under control of the government and the Bank of Korea. Because there are a lot of preferential money rates centering around export capital, there can be no movement in official rates. Interest on loans and on savings in Seoul's banks is practically unchanging. Because no monetary policy exists in Korea, credit squeezes are carried out mainly through "window-guidance." Because interest on savings is held comparatively low in the midst of severe inflation, there are few people saving at Seoul's banks. Money flows into high-interest loan markets (with 36 to 48 percent annual interest) of the so-called private security markets. In order to normalize this distorted financial market, the government and the Bank of Korea are trying to begin liberalizing money rates.

The Importance of Ingenuity

Ku Pon-ho, vice president of Korea's think tank, Korea Development Research Institute, tells, "Until now Korea has advanced with a Japanese type of economic development. But from now, we aim at the West German model of an open economic system." The now large scale Korean economy has already had too much direct government control. It must allow for autonomous civilian entrepreneurial activity, and it is essential to have civilian inputs of creative ingenuity for the production of higher quality goods.

Opening the domestic economy to international activity naturally goes along with political and cultural liberalization. It will do no good to internationalize the economy on the one hand, and maintain a closed society on the other. Vice President Ku Declares, "The conclusion of these past years' serious thoughts is that we have reached the stage where the key to development of the Korean economy is individual freedom, creative ability, and technological reform. The limits of a closed economy can be seen in the example of the Soviet Union."

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Nonetheless, many contradictions in Korea, such as political oppression and expanding differences in income can result in increased social unrest with rapid liberalization.

Can Korea, having many U.S. educated Korean technocrats and pragmatists successfully pursue a stable economy in the way these technocrats want it? In order to side with the optimistic views of the technocrats, it is not doubt essential to look a little more closely at conditions in political circles, and in the military that actually controls Korea, and at the activities of students who have explosive power.

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